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ABSTRACT

This module on owning and operating an answering service is one of 36 in a series on entrepreneurship. The introduction tells the student what topics will be covered and suggests other modules to read in related occupations. Each unit includes student goals, a case study, and a discussion of the unit subject matter. Learning activities are divided into individual activities, discussion questions, and a group activity. Units (and subject matter) in this module are planning your business (different types of services and their clients; competition; legal requirements); choosing a location (elements to consider); getting money to start (business description; starting money; cost of equipment and an office); being in charge (hiring staff; job description; application form; training staff); organizing the work (signing up clients; the basic message; the special request; old messages); setting prices (how to determine price; what will people pay); advertising and selling (advertising methods; advertising costs); keeping financial records (how to bill; how to keep records); and keeping your business successful (profit/loss statement; how to raise profits; computers). A summary and quiz complete the document. (A teacher's guide is available for this module.) (CT)

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Entrepreneurship Training Components

GETTING DOWN TO BUSINESS:

Answering Service

Module 17

U.S. DEPARTMENT OF EDUCATION
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GETTING DOWN TO BUSINESS:

Answering Service

Norma Shapiro

May 1981

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INTRODUCTION

How are you going to use your job skills after you finish school?

Have you ever thought about starting your own answering service?

This module describes people who have started and managed an answering service. It gives you an idea of what they do and some of the special skills they need.

You will read about

- planning an answering service
- choosing a location
- getting money to start
- being in charge
- organizing the work
- setting prices
- advertising and selling
- keeping financial records
- keeping your business successful

You will also have a chance to practice some of the things that answering service owners do.

Then you will have a better idea of whether a career as an answering service owner is for you.

Before you study this module, you might want to read Module 1, Getting Down to Business: What's It All About?

When you finish this module, you might want to read

- Module 18, Getting Down to Business: Secretarial Service;
- Module 19, Getting Down to Business: Bookkeeping Service;
- Module 21, Getting Down to Business: Word Processing Service.

These modules are related to other business and office programs.

UNIT 1

Planning an Answering Service

Goal: To help you plan your answering service.

Objective 1: Describe the services, clients, and competition of an answering service.

Objective 2: List three personal qualities an answering service owner might have.

Objective 3: List three ways that an answering service might be special to "stand out from the crowd."

Objective 4: List two of the legal requirements you might have to consider before opening.

WHAT MAKES OWNING AN ANSWERING SERVICE INTERESTING?

Most people like owning an answering service because it gives them a chance to use their skills and because the kind of work fits their personality. Linda Garcia owns Teleqwik Answering Service in Tucson, Arizona. She opened up her own service after doing lots of other jobs. This is what she says:

"This is going to sound crazy, but I love this work--and believe me, I've worked in a lot of places. I've been a secretary, a receptionist, worked in a cleaning plant--and this is the best! Every time you stick a plug into that little hole you never know what kind of person you're going to talk to.

"You've got a challenge! Each day you talk to at least one person who's a complete grouch and others who are a lot of fun. And if you're in a good mood, you can turn those grouches around. Oh, not all the time, but that's the fun of it!

"There are some clients who like a straight business attitude. And I act that way with them. Most of my clients, though, know that I like my work, like to joke around, and will talk to them. It's funny, but when I worked in my other jobs, my boss would come in once or twice a day to say thank you. Here, we get thanked just about every time we answer the phone. You always know when you're doing a good job.

"Every once in a while, the board lights up like a pin-ball machine. I like the challenge of trying to keep it all together. And the slow times are good because we get to read or sew. I made a small hook rug in about a month.

"Obviously, I'm not much of an outdoors person. And I don't like selling in a store or doing assembly work. I guess you could say that this job fits my personality to a "T." I like people--but not the same ones all the time. I like not having a boss telling me what to do. And mostly, I just like being helpful, treating people and their calls as if I care--which I do."

Planning an Answering Service

There are many, many small businesses in America. Small businesses can have as few as one worker (the owner) or as many as four workers. A small business owner is "self-employed." Often a whole family works together in a small business.

What Is an Answering Service?

You probably already have an idea about what an answering service is. You call up Dr. Bratworst. She's out to lunch or at the hospital, and the person on the other end of the telephone says, "May I take a message?" All of a sudden you realize that the person you are talking to is not the nurse or the doctor's secretary but the "answering service."

An answering service is a separate, private business that answers calls, takes messages, and makes appointments for people and businesses that are not available to answer their telephones for themselves.

The people and businesses that hire an answering service are called the clients. Dr. Bratworst is a client of Imperial Answering Service. Dr. Bratworst, in fact, has never met the owner of Imperial Answering Service in person.

When Dr. Bratworst decided to use an answering service, she called Imperial on the telephone. The owner explained the rates and the services. The telephone company hooked up Dr. Bratworst's line into the switchboard at Imperial Answering Service. Now when Dr. Bratworst's telephone rings, a light goes on at Imperial's switchboard. The operator waits to see if someone at the doctor's office answers. After three

rings, the operator at the switchboard at Imperial Answering Service answers.

The Different Types of Services and Their Clients

There are basically two kinds of answering services:

1. 24-hour answering services, open seven days a week; and
2. 8 a.m. - 6 p.m. answering services, open five days a week.

Let's look at the 24-hour services first. People who want this kind of service need their telephone answered at night. Plumbers, electricians, tow truck stations, bloodbanks, lawyers, real estate agents, psychologists, and, of course, doctors, dentists, and ambulance services are like this. And some people may want an answering service 24 hours a day just because they don't want to miss any calls at all.

Twenty-four hour services have to employ more people. The switchboard must always be covered. Most small 24-hour answering services (under 200 clients) have just one or two people after 6 p.m. And even larger answering services have only one person on the graveyard (11 p.m. - 7 a.m.) shift.

Business-day answering services are usually open from 8 a.m. to 6 p.m., five days a week. There are many clients who do not want to pay for the hours they don't need a service. Lots of small businesses fall into this category: small industrial companies, such as electronics firms; small service businesses, like a rug cleaning place; and salespeople who sell products to stores and offices.

When you go into the answering service business, you have to decide which type of service you will offer. Here is a list of questions that may help with that decision.

1. What kind of clients do you want to serve?
2. Do you have the personnel to cover a 24-hour service?

3. Do you mind working on holidays and weekends?
4. Would you enjoy working with medical emergencies?

The Competition

The competition in the answering service business is high, especially in the big cities. Besides having the right kind of personal qualities for the job, you have to have an answering service that is in some way different from the competition--you need some special quality that will make people choose you over others.

Here are several ads of answering services that have decided to offer some special services. Looking through the Yellow Pages in different directories will give you other ideas.

The Medical Exchange: We offer a complete service to the medical profession. We offer paging, prescription messages, emergency service. We can serve all the doctors in your office. Professional, accurate, open 24 hours.

Answer-Quick Answering Service: We are a small, personalized service. We take special sales orders, make appointments, keep track of your customers. Flat-rate, no extra charges! 8-8, five days a week.

One-Stop Answering Service: All of our operators are fullfledged secretaries and can handle your overflow paper work. If you need that mailing to go out, why go to strangers? You can use the operators at One-Stop. Open 24 hours, seven days a week.

Is This for You?

All of the skills you need to open an answering service you can acquire. You would have to learn:

- how to speak clearly over the telephone;
- how to operate a PBX switchboard; and
- how to run a small business operation.

No one can tell you whether you would like to be an owner of an answering service. You have read what Linda Garcia said. Here's what other answering service owners have said:

"You should like talking over the telephone. I like it because no one cares what I wear to work!"

"Some people like the pressure--some don't. For me, it's what makes it fun."

"I think you have to like a 'desk job' to be in this business. After all, you are sitting at a desk all day!"

"I love having my own business--I try to see if I can get more clients--and seeing my board grow. You've got to learn to live without that steady pay check, but 'security' has never been my thing."

Legal Requirements

There are no special legal requirements for owning an answering service, but as a business owner, you will have forms to fill out and licenses to get.

1. Every state requires you to get a business operator's license.
2. If you decide to open an office, some cities require a "use of occupancy certificate." It costs about $10, and you have to have a health and safety inspection.

3. If you have the answering service in your home, you may have to follow even more rules and regulations.

In Palo Alto, California, for example, you must meet these requirements to run a business from your home:

- no outside signs;
- no employees except yourself;
- no noise;
- no more than usual traffic; and
- no more than 25% of your house may be taken up by your business.

Summary

It is important to plan ahead before starting your business. Now you know four things to think about in planning an answering service: (1) different types of services and their clients; (2) the competition; (3) necessary skills and helpful personal qualities; and (4) legal requirements for running the business.

Learning Activities

Individual Activities

1. Which services is an answering service likely to provide?
   a. Taking messages for a lawyer who is out of his or her office
   b. Relaying a prescription to a drugstore for a doctor
   c. Coming to a house when a client is out of town to answer the telephone
   d. Making appointments for a plumbing service that has no secretary

2. Name two skills you would have to learn to open an answering service.

3. Tell what kind of answering service best fits you:
   a. 24-hour medical service
   b. 8 a.m. to 6 p.m., five days a week service for small businesses
   c. Answering service plus secretarial service

   Write two sentences telling why you chose the one you did. List some special services you can offer to attract customers. Refer to the ideas on page 8 and add your own.

4. Some cities may ask you to get a "use of occupancy certificate." How much does one cost, and what do you have to do to get it?

Discussion Questions

1. Why would a small business need an answering service? Why would a home use an answering service?

2. A person or business can buy a telephone answering machine--the kind that records messages--for about $250 and never use an answering service. Do you think these machines will eventually put answering services out of business? Why, or why not?

3. Linda Garcia has lots of reasons to like owning her own answering service. What are some things about owning an answering service you would not like?

Group Activity

Invite an owner of an answering service to come to speak to your class. What questions would you like him or her to answer? Write down a list of at least 15 questions that would help you decide if this business is for you.

Here is a list of topics that may help your thinking.

- Getting the business started
- Money--making it, getting it
- Best times
- Hard times
- Hiring people
- Running the business
- Advice

UNIT 2

Choosing a Location

Goal: To help you choose a good location for your service.

Objective 1: List three things to think about in deciding where to locate your business.

Objective 2: Pick the best location for an answering service from three locations.

Objective 3: Decide whether your city or town would be a good location for an answering service.

WHERE SHOULD YOU LOCATE?

Linda's answering service is on the outskirts of Tucson, Arizona. How did she choose this location? Here's her story:

"I did a lot of searching before I chose this location. I wanted to get away from the hustle and bustle but still find a place that needed my service. I think, all in all, I must have spent five months choosing this particular city. You just can't be too careful.

"You've got to get a feel for an area--whether it's growing or not. If industry is moving out or closing down, it's going to take the small businesses with it.

"I talked with the Census Bureau and found spots whose population was growing. I talked to Chambers of Commerce in several places. You've got to be a Sherlock Holmes to get the information you need.

"The area I chose had just one other service, but I still had to be sure there was room for me. I called up doctors, electricians, bookkeepers, tax consultants, and building contractors. I asked them if they were using a service--and if they would consider using one.

"I actually did this in three different cities. One turned out to be too rural--there just weren't enough small businesses to support me. One had mostly old people--was I surprised! And you see my third choice--a moderate-sized city in the Sun Belt, an area that is growing quite rapidly.

"The answering service people I talked to told me to stay out of the big cities--like New York, Chicago, and Los Angeles. Those places are filled with every kind of answering service imaginable. You'd need a big advertising campaign to get you going there."

Choosing a Location

Now that you have decided that an answering service is the business you would like to open, you have to decide on a location. Choosing a location is part of the risk-taking of becoming a small business owner.

In the case of an answering service, the city or town that you choose to set up business in is much more important than the actual location within that town, because an answering service does not depend on foot traffic or good parking.

Where? Where? Where?

How does one go about choosing the appropriate city for an answering service? There is no room here for lack of planning. Finding out where there are people who need you is a "must."

Here is a chart of questions that will help you make that decision:

Question	Yes	No	Comments
1. Does the town have a population of over 35,000?			Experts in the field say an answering service usually needs a population of 35,000 to support it.
2. Is the community growing? (Is there new housing goin up or plans for more housing?)			A growing community means more business for you.
3. Are there many small service businesses, doctors, and consultants in the area that would use an answering service?			The Yellow Pages is a good source for this. Make some phone calls.

4. Did many small businesses fail in this area within the past year? Why?	The "why" here is the important question. You can learn from others' mistakes.
5. Is there a small office space available to set up your service?	You need a place, but finding one usually won't be your main problem.
6. Are there many other answering services?	What's "too many"?

An answering service can cover only certain telephone prefixes. Many times just "moving over" one town will change your chance of success. That is why it makes sense to check out more than one city or town before you choose your spot.

Talk to as many people as you can. Talk to people who might remember "the good old days." See what they have to say. Most cities have a planning office. Find a friendly person who will tell you the growth patterns of that city.

Most of your customers will never see your office. You can even sign them up as your clients over the telephone. All payments for your services can be handled through the mail. You do not need to be part of a shopping center, in a business complex, or on a busy street. This can be the one place where you can cut down on your monthly expenses. Paying high rent will not bring you more clients.

Once you have decided on the general area, you will need some office space. The smallest space that you can start off with is a desk with a call director on it. Most small answering services have a 15' x 15' office that can accommodate two switchboards. Generally speaking, it is not important where in the town your office is located as long as it is relatively quiet and comfortable for you.

A final note--before you put down any deposit on a place, you will need to have your location checked out by the telephone company. There has to be space for all the wires. These wires then have to be connected

to a main pole. The telephone company will tell you how much work is involved.

Summary

Choosing a location is important. The main point is to pick an area with enough customers. To be sure you do that, you have to get as much information as you can. Second, you have to find some office space. Now you know some things to think about in picking a location.

Learning Activities

Individual Activities

1. Which sentence is the most true?
   a. Choosing a location is the least important part of planning an answering service.
   b. The city or town you choose is more important than the building.
   c. If it doesn't have lots of parking, forget it.

2. Which location seems the best for an answering service?
   a. A medium-sized town (population 80,000) with new apartment buildings going up. There are two other answering services.
   b. Redwood Bluff, a wonderful farm town (population 15,000) with very friendly people who like talking to each other. It has no other answering service.
   c. Chicago, a big metropolitan city (population 3,000,000) with lots of businesses. It has over 30 answering services.

3. List two ways to get information about a city you might want to locate in.

4. How many cities did Linda check out? What was wrong with the ones she didn't choose?

Discussion Question

Choose three cities that are close to your school. Answer these questions about those cities.

   a. How many people live there?

b. How many answering services does each one have? (Look in the Yellow Pages.)

c. Is the area growing? How can you tell?

d. Are there many small service businesses in these cities that would use an answering service?

Based on what you found out, which city in your area would be the best one? If none of them is very good, can you suggest another city you know about?

Group Activity

Here is a list of factors to think about when choosing a city. Rate them in order of importance (from 1-10). There is no correct answer. Discuss with the class the reasons for your rating. Try to come up with a class rating.

a. Number of answering services in the area

b. Easy to reach--transportation available

c. Population of town and surrounding area

d. Personal factors--personal preferences, family and friends nearby

e. Growth of town

f. Income of population

g. Weather (climate)

h. Advertising media available

i. Nature and prosperity of industries

j. Type of community--urban, farm, industrial, suburban

UNIT 3

Getting Money to Start

Goal: To help you plan how to get money to start an answering service.

Objective 1: Write a business description for your business.

Objective 2: Fill out a form showing how much money you will need to start this business.

LINDA APPLIES FOR A LOAN

Before Linda did anything, she started thinking about money. She thought she could find enough to get started, but she wasn't sure.

"When I first thought of opening up this service, I didn't know much about the money part of the business at all. After I got turned down for two loans, I got worried. My aunt suggested I go to an accountant for help in writing up a business plan and a statement of financial need.

"Before I went to see him, I thought I'd better get my act together. I wasn't going to pay $100/hour and have him ask me a bunch of questions I didn't know the answers to. I listed everything I possibly could that had to do with money--how much I needed to start, how much I needed to make to cover monthly bills, plus how much I needed to live on until my business caught on. It takes at least four months just to plan for everything and three months to get your switchboard from the time it is ordered.

"Everybody, simply everybody, starts with too little money unless he or she has a rich uncle somewhere. It takes courage, but you really have to believe in yourself and ask for even more than you think you'll need. Lots of people, women more than men, need to be taught to ask for the 'fudge factor'. That's the amount you put in because some people somewhere down the line are going to tell you that you don't get to pass GO unless you pay them some new tax or give them a $200 deposit. You include the fudge factor because you can't possibly think of every little thing. A good fudge factor is 10% over the total you think you'll need."

Getting Money to Start

As you learned from Linda, you won't get money without a business description--a written summary of just exactly what kind of answering service you are going to open.

Why You Need to Write a Business Description

The loan officer at the bank must think you have "done your homework." He or she has to believe:

- there is a need for your answering service;
- you can attract new clients; and
- you are the best person to open up an answering service and can get the job done with the money you have asked for.

Here is Linda's written business description. She wrote it "outline style" so that it would be easier to read.

Name of answering service: Teleqwik Answering Service

Type of service: 24-hours, seven days a week

Services provided: Complete answering service, paging, wake-up calls, date reminders, clerical work, mailing addresses. Joint-user lines welcome.

Location: 4281 Crane Street, Tucson, Arizona. This is a small 15' x 20' office above a hair cutting salon in a business district in Tuscon. I chose this location for several reasons.

1. The office is just the right size for an answering service. It can accommodate one switchboard, and I can expand to as many as four if I choose.

2. The location is basically quiet. There is very little noise coming from the hair cutting salon and from the street. It is a clean, efficient-looking office.

Competition: There are five answering services in Tucson. Since the population is over 450,000, I feel the city can support my service. There are also many new office and medical buildings springing up, which will house more potential clients. Three of the other services are open only during the day. One of the 24-hour services is overbooked, and the other does not offer paging and emergency services to physicians. I see a real need for my particular answering service.

Potential customers: I will concentrate on medical customers (doctors, dentists, and ambulance services) from all over town for my 24-hour services and will focus my daytime services on professionals and small business owners in the west end of town. When the new medical building on the west side opens in six months, my advertising will be waiting on their desks.

Strategy for success. I am offering the only 24-hour answering service in this city that will also offer secretarial servces. I will be small enough to be personalized, which is what more and more people want, especially in this area.

I am planning the opening with two deadlines in mind.

- The new Yellow Pages telephone directory will be coming out in September. Fully 70% of all businesses make their initial contact from the Yellow Pages.
- I am offering a special charter-member discount to anyone who signs up for my service during my first three months:
  $25 for business week, daytime service;
  $35 for round-the-clock service.

I am sending out 10,000 postcards to all small businesses in the area.

Workers needed to start:

1. 1 daytime person, 7am - 3pm, 5 days a week = 40 hours (myself)
2. 1 evening person, 3pm - 11pm, 5 nights/week = 40 hours
3. 1 graveyard person, 11pm - 7am, 5 nights/week = 40 hours
4. 1 weekend day person = 20 hours
5. 1 weekend night person = 20 hours

(I will also cover four hours each weekend day.)

How Much Will You Need to Get Started?

Just how much money does it take to start an answering service? There is no one set answer. Since the most important item is the equipment itself, here is a chart of possible costs to get your doors open. This is the money you must give to the phone company to install your equipment.

The Cost of Answering Service Equipment

Call Director (with space for 30 clients)		
Installation charge		$ 90
First visit to install		17
Business lines with lights and hunting		140
	TOTAL	$ 247
- or -		
Switchboard (with space for 100 clients)		
Installation		$ 850
2 strips of secretarial lines (enough for 40 clients)		156
3 trunk lines (incoming calls)		132
Chair for operator		-0-
Headset for operator		-0-
	TOTAL	$1,138
Message Units		125
Electrician--to get office ready for wiring		$1,000
--to install switchboard		$1,000
	TOTAL	$2,125

The Cost of Getting an Office

The rest of your costs are more or less standard to opening any small business.

Item	Range	Comments
Rent for Office (first and last month)	$300 - $600	$0 if in your own home
Security deposit	$100 - $200	
Utility Deposit	$ 50 - $200	$0 if in your own home
Business License	$ 25 - $ 75	
Office Furniture & Extra Equipment	$ 0-$1,000	Typewriter is a necessity for billing. Will also need filing cabinets for bills, old messages, and forms.
Paper & Office Supplies	$100 - $400	
Legal & Accounting Fees	$ 50 - $450	At least one visit to a certified public accountant is a must.
Decor	$ 0 - $500	You will be spending a lot of time here. The place should make you happy.
Advertising	$100-$1,000	Yellow Pages listing is an absolute necessity.
Employee Salaries until Money Comes In	$ 0-$4,000	Mostly for 24-hour services
Owner's Pay during Start-Up	$ 0-$5,000	Most answering services take about six months to plan including finding office, installing equipment, etc. It takes at least three months to get ad in the Yellow Pages.
Fudge Factor	$ 0-$1,000	Money for emergencies

Summary

You need money to start a business. You will probably have to borrow from a bank or government agency. Now you know the kinds of information to give the lending agency when you ask for a loan.

Learning Activities

Individual Activity

Write a written description of your business. It can be short, but you should really think about what kind of an answering service you would like to own. Use your town or city. Put down a real place where it might be located.

Here is what you should include.

Name of owner:

Name of answering service:

Type of service: (daytime, 24-hours, medical only, etc.)

Services provided:

Location:

One or two reasons why this would be a good location

Competition:

Names of other answering services

A brief summary on how you are unique

Potential customers:

Who will use your service? List as many possibilities as you can.

Strategy for success:

What will be your specialty?

What is your initial advertising plan to attract customers?

Employees needed to start:

How many people will you need to cover the board for the hours you are open?

Discussion Questions

1. Start-up money for an answering service can be as low as $1,000 or as high as $20,000. What are the advantages of starting off low? What are the advantages of starting off high? Which way do you see yourself going?

2. If you were a loan officer at a bank, what more would you need to know about Linda before you would lend her money? How would you react to her business description?

3. Tai Williams is thinking of opening her own answering service in Newark, New Jersey. She needs $8,000.
   - Tai's uncle will give her $2,000 at 10% interest. He wants to be paid back within six months.
   - The bank will give Tai as much as she needs at 14% interest. She will have three years to pay it back.
   - Tai has $5,000 saved up. It's all she has and took her five years to save.

   Where should Tai get her money? Should she use her savings, her uncle's money, etc.? Discuss your opinion in class.

Group Activity

In a small group, decide on the type of answering service you want to start and fill out the statement of financial need below. (Use the business description you wrote for Individual Activity #1.)

Here is a list of some of the questions you will need to answer.

a. Will you begin with a call director or a regular 100-line switchboard?
b. Will you rent office space or work out of your home?
c. Will you buy new or used office equipment?

d. How much will you use on advertising? (A Yellow Pages ad is a must.) Will you be sending postcards or fliers in the beginning? (See Unit 7 for a complete price list.)

e. How much will you pay your employees?

Use the figures given in the previous pages to fill in the section on starting expenses. Also list the amount of money you have from personal savings and loans from friends (total money on hand). Subtract this figure from your starting expenses to find out how much you'll need to borrow from the bank.

STATEMENT OF FINANCIAL NEED

Item	Amount	Item	Amount
TELEPHONE EQUIPMENT	$_____	PAPER AND OFFICE SUPPLIES	$_____
MESSAGE UNITS	_____	LEGAL AND ACCOUNTING FEES	_____
ELECTRICIAN	_____	DECOR	_____
RENT & SECURITY DEPOSIT	_____	ADVERTISING	_____
UTILITY DEPOSIT	_____	EMPLOYEES SALARIES	_____
BUSINESS LICENSE	_____	OWNER'S PAY DURING START-UP	_____
OFFICE FURNITURE	_____	FUDGE FACTOR	_____
		TOTAL STARTING EXPENSES	$_____
		TOTAL MONEY ON HAND	_____
		TOTAL LOAN MONEY NEEDED	_____

UNIT 4

Being in Charge

Goal: To help you choose the people who work for you.

Objective 1: List the information needed on a job description.

Objective 2: Choose the best person as an operator from a list of three.

LINDA HIRES HER STAFF

Linda talks about her staff:

"I had no idea how important personnel is to a business. Every employer wants to pay as little as he or she can, because usually salaries are your biggest expense. I started by hiring people at the minimum wage. What a mistake! Anytime there was a better job available, the person I hired would quit. And I would have to go through the whole process again.

"It wasn't the easiest thing for me to hire people. It took me a while to figure out what makes a good operator. Sometimes the most obvious things are not so obvious. I hired one woman who had secretarial experience and a pleasant speaking voice but terrible handwriting! I didn't even think of checking that. I should have given her an application form to fill out. It turned out that none of us could even read her messages.

"I'm much better at hiring people now. I have a list of qualities that make a good operator. I'm sure of the wages, benefits, and hours I need people. And I know how to write a job description.

"I didn't know how long it took to train a person before I started, but I do now. After about two weeks, most people begin to feel at ease on the boards. After about a month, an operator will have handled about every different kind of call. When you have your operators quitting every three months, you spend a lot of time training new people. I don't bother with the minimum wage anymore. Now I pay $4 starting with a raise to $4.50 in one month if they work out okay. A one-month trial period is a good idea for both sides!"

Hiring People to Work for You

How do you know when you need to hire more people? The usual "rule of thumb" is one operator for every switchboard or for every 100 clients. For extremely slow times (like the 11 p.m. - 7 a.m. shift at a 24-hour service), an operator can handle up to four boards.

Many small answering services start out with just the owner on the switchboard and no other employees. With a Monday-Friday daytime service, it is possible to have one person running it.

How Many . . . .

Let's assume your business has been very successful. What if you have, let's say, 150 clients? Do you need two people on the boards or just one? You will probably need two people for the busiest times; and one person can handle the slow times. You may know when those times are instinctively, or you may want to do a "call-count." Make a time chart with a column for each hour you are open. Each time your answering service receives a call, put a check in the right column. After two or three days you should see some trends developing.

For Relief . . . .

There are also other reasons to hire people if you have been alone on the boards. You will find it gets tough being on the switchboard by yourself. You will have to dash to the bathroom and eat between calls. Having even part-time relief makes a big difference.

To Give You Time . . . .

Also, as the owner of the answering service, there are other duties you have to perform. Having other employees will give you time to do advertising, bookkeeping, and other managerial responsibilities--activities no one else can do.

What Kind of Employee Do You Want?

The first step in hiring an employee is to write out a job description. Listing the qualities you want in an employee is a good way to begin.

This is Linda's list of what she wanted:

- must have pleasant voice and be able to write clearly;
- must be able to handle pressure situations such as medical emergencies;
- must have good manual dexterity (to work the switchboard); and
- must be prompt.

Next, she added to that list the wages and benefits she would offer and the hours she wanted the person to work.

Here is the completed job description that Linda wrote.

POSITION AVAILABLE FOR SWITCHBOARD OPERATOR
Duties: Operate a switchboard. Take messages.
Requirements: Must have a good telephone voice and neat handwriting. No experience on a switchboard necessary.
Personal: Must be prompt and reliable. Must be able to handle pressure situations.
Salary: $4/hour starting pay.
Benefits: Vacation and sick-leave pay.
Hours: Evening shift 3-11 p.m., weekdays
Teleqwik Answering Service - Linda Garcia, owner
423-8566 Call for an appointment.

Where to Send the Job Description

Linda sent the job description to local colleges because they list jobs at no charge and because she thought a college student would be perfect. Students usually are looking for part-time work. She thought it would be possible for the employee to study when the lines were not busy.

Linda also sent the job description to the State Employment Agency. She knew a lot of people went there to look for jobs. If she didn't get enough applicants from these places, she would probably run an ad in the "Help Wanted" section of the newspaper.

The Application Form

When people begin to call for interviews, it is important to have an application form for them to fill out. Large companies have their own printed for them, but most answering services rely on a standard form that is available at stationery stores. It is no longer legal to have questions asking a person's age, race, sex, or marital status. These must be crossed out first.

Selecting the right person for the job is a matter of experience. You can depend on the facts in the application form, the comments from references, and your own "intuition" to help you decide.

Training the New People

Once the selection is made, the training process begins. A person who is being trained as an operator needs some explanations as to how the switchboard works as well as on-the-job practice. You will want to explain what the different lines are, the best way to take messages, and your filing system.

It is important that all of your employees follow the same system so that when a client calls for his or her messages, any operator can relay all of them without any problems. It is also a good idea to role play a few calls. Have your new person fill out "pretend" message cards.

Next, go through the information cards on each of the clients, and give the employee what he or she needs to know in order to offer personalized service. For example, you might tell your new hire things such as, "Ms. Smith never likes us to tell people she is out of the office. Always say she can't come to the telephone right now." Or, "Mr. Brown likes us to tell people he will call them back as soon as possible."

Each answering service has its own "personality." Some answering services never "joke around" with their clients. Others are more loose. That, too, should be explained to your new operators.

Some People May Not Work Out

If you decide to open an answering service, you will find that some people will become good operators and some people won't. A person may learn after being on the board for a while that he or she just does not like dealing with grouchy people. Other people may get flustered when the board is really busy. Or you, as the employer, may just not like the way a person handles callers. Having the right kind of operators is crucial to an answering service. People who are unhappy as operators or who don't have the ability to relate over the telephone can ruin your business. It is a benefit to you and to them to terminate these people as quickly as possible.

Summary

Being a boss takes some effort. Now you know some things to think about in hiring and training an employee.

Learning Activities

Individual Activities

1. What are some of the other activities you as the owner will have to do besides handle the switchboard?

2. Linda sent her job description to the local college and the State Employment Agency. Name two other places that she could have sent it.

3. Linda did not put down her address on the job description. Do you think this was a good idea? Why or why not?

4. One of the things Linda describes to all new people is the "personality" of her answering service. Do you feel this is important? Why, or why not?

5. Here are the applications of three people who applied for a job with Linda on the evening shift. After she spoke with each one of them, she wrote down what she learned in the interview. If this was all you had to go on, whom would you hire? Give reasons for your choice.

Name: William Burns
Education: Graduated Blossom Hill High School
Completed 1-1/2 years Hillsdale Junior College
English major
Work Experience:
one year: clerk
Acme Insurance Office
one year: Burger King, assistant chef
Comments: Very pleasing voice. Needs money badly. Will probably move in 9 months. Sick a lot in past year.

Name: Joan Olmstead
Education: Graduated Union High School
Major: Business Ed
Work Experience:
three years: salesperson in department store.
Comments: Nice but shy. Weak voice. Excellent typist and bookkeeper. Wants $4.50/hr.

Name: Martha Sanchez
Education: Graduated Los Feliz Junior High
(needed to work)
Work Experience:
ten years: nurse's assistant
five years: ran a day care center
Comments: Sparkling voice. Says her spelling
isn't good. Willing to try. 4 children.
Wears leg brace. Good references.

Discussion Questions

1. Most answering services hire only women. The owners will tell you that many people will not give messages to a male voice because they aren't sure they are talking to a "secretary." As an owner, would you be willing to try out a male operator? Why, or why not?

2. You are the owner of Ansa-call Answering Service. One of your operators, Marie, is starting to "joke around" with Jasper Jackins, a client. She's thinking of accepting a "blind date" with him. Marie is clearly your best operator. What is your position on this?

3. Tony Romero works for you and is a good operator. He has asked for a raise because he thinks the other operators are goofing around and not working as hard. He has taken more calls than the other operators lately. What do you do?

Group Activity

How would you fire someone? "Good-bye" is usually not enough. Many people have realized, after they have let someone go, that they created a lot of bad feelings when they didn't have to. As a class, write a list of "Do's" and "Don'ts." Here are some questions for ideas. What would you do about termination pay? How much notice would you give? Would you tell the person why he or she was being fired?

UNIT 5

Organizing the Work

Goal: To help you learn how to organize the work of an answering service.

Objective 1: Complete message and information cards for a client.

LINDA TELLS HOW TO GIVE GOOD SERVICE

Linda tells how hard the competition is. In the next breath she tells how good her service is.

"Let's face it, we're a service. You might say that service is our only product. People pay us to do something well for them. Do you have any idea what horrible reputations answering services have? I'll list a few of the major complaints.

- Answering services take forever to answer.
- They put you on hold and forget about you.
- They goof up messages.
- They don't know anything.
- They can't read their own messages.

"I know I've made it through the first year because I'm good. For one thing, I've got the daily operation of this place down pat. For example, I have my message pad made up special so it's perfect for me. If you can't take good messages, you're not going to be in business very long.

"I have designation cards with the names and phone numbers of all my clients and notes indicating how I'm supposed to answer their calls.

"I also have a file box with an information card for each client. They don't know it, but I add birthdays, special events, or special preferences to those cards. It's silly, but I know people appreciate it when I remember. I've been known to go out and get a prescription for a sick child, and I chased down a missing dog once. I can do that when I have another operator on the board."

Organizing the Work

The daily operations of an answering service are not complex, but as the owner, you have to set up an office that is:

- organized;
- efficient; and
- neat.

Signing Up Your Clients

An information card like the following is usually filled out when a prospective client decides to use your answering service.

Name: Lillian Morningstar Phone: 548-6122

Number: #153

Other names on this line John Morningstar (son - mornings only)
Enid Perkins (secretary)

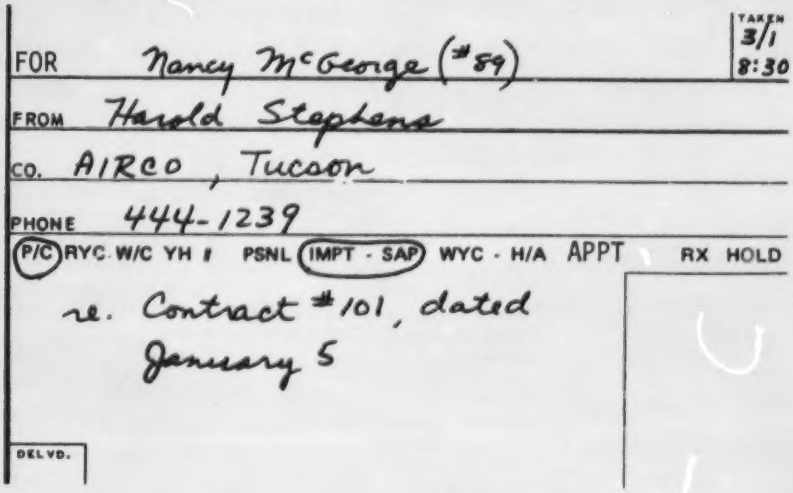
Type of business/residence:
Interior decorator, 99 Lakeview Dr.

Special requests:
Hours 10-6. Will return her calls within 24 hrs, but cannot promise to call the same day.

The Basic Message

You must be able to get at your messages quickly. If you cannot read your own handwriting or that of the operators who work for you, your service suffers.

This is the basic message form used by Linda. Most answering services use a form of shorthand so they can take down the information quickly. The most common messages are listed first.



P/C	please call	IMP-SAP	important--soon as possible
RYC	returned your call	WYC-HA	will you call--you have number
WC	will call back	APPT	appointment
YH#	you have number	RX-HOLD	prescription--hold
PSNL	personal		

The Special Request

Next are the special requests you may get from one of your clients. They go in his or her message unit and can be referred to if a call requires it. Your clients may ask you to deliver a certain message if a particular friend or customer calls.

SEC. IN | Mark Dearborn | 31 EXT.
NAME OR LINE NUMBER

IF Mr. Mrs. Miss Sharon Park CALLS

DELIVER THIS MESSAGE:

Sorry he missed the luncheon date. Will call her tonight.

TIME RECEIVED 2/15 2:00pm | TIME COMPLETED | SEC. OUT

When your clients are out of town, they may leave a general message for all their callers. The form below alerts your operators to a line that will always have to be answered.

OUT OF TOWN

TIME TAKEN: 4/16 5 p.m.

Samuel Weinstein, M.D.
CLIENT'S NAME

TIME DELIVERED:

On vacation for two weeks. Will return May 1. Phone number for emergencies only: (714) 999-1212

Taken by: LG Del. by:

The following form is an alert to operators so they know a client has changed something.

NEW INSTRUCTIONS

TIME DELIVERED:

Janet Ellis, D.D.S.
CLIENT'S NAME

Her office will now be closed every Wednesday. Take messages.
Dental office is now open M-T-Th-F 8-5 and every other Saturday 9-12.

TIME TAKEN: 3/7

Taken by: LG Del. by:

Old Messages

What do you do with messages that have already been delivered to the client? A copy needs to be saved for a variety of reasons. One, a client might lose a phone number and will want you to supply it again. Also, if you charge by the messages you take, rather than a flat monthly rate, you need to tally up the number of messages each month.

Most answering services have a weekly file box for old messages and a monthly file box that has all the messages from previous weeks.

Summary

It is important for an answering service to have a good system for taking messages. Using different message forms can be a big help.

Learning Activities

Individual Activities

1. This is a typical morning at Linda Garcia's answering service. Fill out the blank cards below with the following information.

   A. 9:38 a.m. Rhonda Dubin called for John Homer (# 142). His brace will be ready on Friday. Please call back.

   B. 9:45 Alice Speight called for Al at A-1 Rug Cleaners (#92). Urgent--she spilled a quart of milk on her rug.

   C. 10:02 Linda got a new client today. Here is all the information she gave Linda. Fill out an information card. Keep your notes short and complete. Fran Ryan; telephone number: 386-4218. Occupation: Social Worker. She rarely answers the phone. Needs to be called if there is an emergency. Needs 24-hour service. Answer phone with her name only. Can be reached at Mayfair General Hospital on Tuesday and Thursday.

   D. 10:35 A client, Arnie Shaw (#104), called at 10:35 a.m. to say that if his daughter calls, tell her to wait at the school office.

   E. 10:50 A client, Chris Sanchez, called to say he won't be in the office all day; if Rita Manx calls, he must see her 10 minutes before the trial starts.

A.

TAKEN

FOR

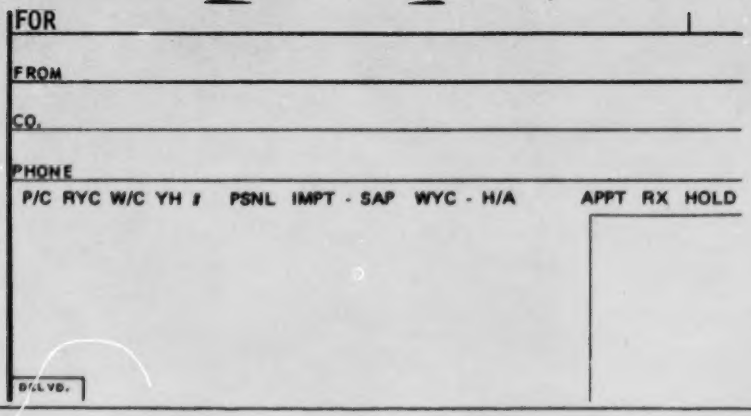
FROM

CO.

PHONE

P/C RYC W/C YH # PSNL IMPT - SAP WYC - H/A APPT RX HOLD

B.



C.

Name: Phone:

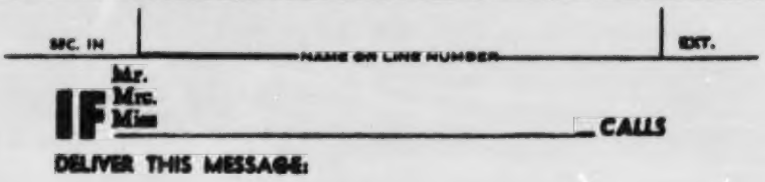
Number:

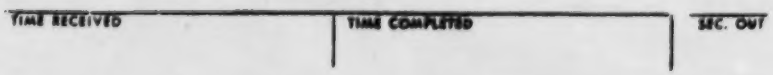
Other names on this line

Type of business/residence:

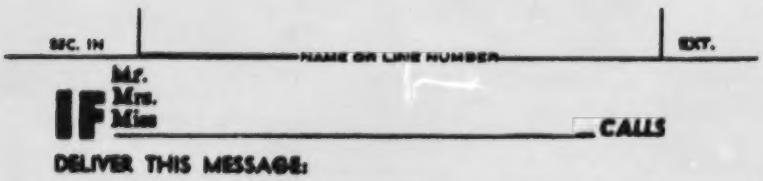
Special Requests:

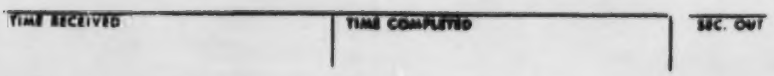
D.





E.





Discussion Questions

1. Velma Steinhegen, a psychologist, complained to Linda that she has missed two important calls. Pretend you are Linda talking with Ms. Steinhegen. Show your class an example of what you feel would be a good way and a poor way of handling it.

2. Clients often ask many answering service operators to tell "lies" for them--for example, saying a client is "in a meeting" when she is really vacationing in the mountains. How do you feel you would handle this? What are your feelings about lying for your clients?

3. Many answering service operators will tell you never to put a client on "hold." Tell the person you broke your pencil, your pen ran out of ink--ANYTHING EXCEPT "could you please hold?" Can you think of other ways of saying "could you please hold?"

Group Activity

Practice several exchanges between student "operators" and student "clients." Practice filling out different message cards. Use a tape recorder if possible. Have two or three clients call at the same time. When the operator wants to connect with a call, he or she can point at the person whose call is being answered.

UNIT 6

Setting Prices

Goal: To help you decide how to set prices for your answering service.

Objective 1: Name the different types of pricing practices answering services use.

Objective 2: Set prices for your answering service given different operating factors.

LINDA DECIDES HOW MUCH TO CHARGE

Linda tells how she decided on her prices.

"Before I even looked at my own costs, I thought I would look at what other answering services were asking. Obviously, like any business, you have to be competitive.

"I made calls to the other answering services in the area. I called both the daytime services and the 24-hour kind. Virtually everyone charged by the month, which made comparison easy. I made a chart to write down all the information.

"Even after I got all the information, I still did not know what to charge. The big difference in answering services is whether to charge a flat rate or to charge by the unit.

"My cousin had worked for an answering service that charged by the unit. She hated the bookkeeping. She had to tally the numbers at the end of every day. Then at the end of the month she had to do individual billing for each client. It seemed like a lot of extra work to me. Usually, the customers with few calls tend to balance out those that use the service a lot. I decided on $33/month, flat rate for daytime service and $43/month for 24-hour service. My billing was easier, and I used as a selling point the fact that the clients would not be surprised at the end of the month with a large bill. Eventually I did make an exception for joint users and the few clients I make appointments for."

Setting Prices

Here are the terms Linda had to know before she could compare prices:

Monthly Charge: How much a client pays to the service, no matter how many calls he or she gets. All answering services have a monthly charge.

Flat Rate: The monthly charge remains the same regardless of the number of calls. This is how Linda charges.

Unit Rate: Along with the monthly charge, the client gets charged by the number of calls she or he receives. Most answering services that charge by the call give a certain number of calls free before they start charging--for example, $25/month, $.25/call above 50 calls.

Joint User: The phone does not ring anywhere except at the answering service. The answering service is almost like the client's secretary.

How to Determine Price

All answering service owners go about fixing prices for their services in different ways. Everyone, however, wants to make a profit to stay in business. These are the four most important questions in determining price.

- What are people willing to pay for your service? What does your competition charge?
- How much do you need per month to cover your business costs?
- How much do you want per month in profit?

- Will you charge flat rates or unit rates? What extra services are going to be charged to your clients?

What Are People Willing to Pay?

Below is Linda's chart of her competitors' prices. When you begin to research the answering services in your area, you will probably fill out a chart like this one.

Answer	Hours Open	Monthly Charge	Free Calls	Cost/Call over Free Calls	Other Charges
1.Friendly	24 hr	$45	Flat Rate		$6/mo telephone company
2.Phone Exchange	8 am - 6 pm	$25	50	.25¢	.10¢ wrong numbers additional hours 6-9pm $10/mo additional hours Saturday $10/mo
3.Oakwood Answering Service	8 am - 8 pm	$35	60	.20¢	Joint user: $25/mo; .25¢/call
4.River Answering Service	8 am - 6 pm	$32	Flat Rate		
5.Hello Answering Service	24 hr	$37	80	.20¢	

Your prices must be in line with your competitors'; people won't want to pay higher prices. You can go lower than the lowest prices only if your expenses are also low or if you have a large amount of clients. This probably will not be true when you are first starting out.

Another problem in charging a very low fee in the beginning is that as you figure out your monthly expenses, you might have to raise your monthly rates fairly soon just to make ends meet. Your clients will feel

that you misrepresented yourself just to get them hooked. There will be many reasons that you will have to hike prices--don't start too low in the first place.

What are your business costs? Doing a monthly expense sheet is the only way you will know how much running the answering service is costing you (see Unit 8). Expenses include equipment costs, rent, supplies, advertising, and other routine costs.

What is your desired profit? Most new business owners cannot expect to pay themselves a high salary. They know that they cannot expect a profit (money that is left over after all expenses are paid) for at least six months and possibly a year. You should however, add some profit into your price. The amount will grow as your number of customers grows.

Will you charge flat rates or unit rates? How will you charge for extra services? If you hate bookkeeping and have very few "big message" clients (a client who gets over 125 calls per month), charging a flat rate like Linda's answering service is probably a good idea. Most clients appreciate it, and you know exactly how much money you will be making.

On the other hand, if you have a lot of big message clients, if you offer special services like paging clients, wake-up calls, or making appointments for them, and if you don't mind the extra bookkeeping, charge by the call. You can also charge for all the extra services.

If you charge unit rates and bill for extra services, your price chart might look like this:

Base rate:	$35/month
Number of messages included in the base rate	60
Charge for messages above 60	$.15 each
Daily wake-up service	$ 5/month
Appointment service	$ 5/month
Paging service	$.25 per time

Being realistic and pricing competitively will help keep you in business.

What about raising prices? Raise prices to keep up with inflation. You might lose some customers, but if your service is good, most people will understand. Also, you should give at least one month's notice. No one likes higher prices sprung on them.

Summary

Setting prices takes some thinking. You have to know what your expenses are, what your competition is charging, and what the demand for your services is before you set prices. You also need to decide whether to charge flat or unit rates and how to bill for extra services.

Learning Activities

Individual Activities

1. Read the descriptions of the two clients below. Using Linda's chart on page 55, and assuming these clients want the least expensive service, which answering service should they choose?

   a. Alvin Lee is an interior designer and is out of his office most of the time. He needs a daytime service and gets about 120 calls per month. Which service would be the least expensive for him?

   b. Dr. Mary Saito is a dentist and needs a 24-hour service. Since she has a receptionist in her office, the answering service would only handle after-hour emergencies. She gets about 20 of those per month. Which would be the best service for her?

2. Write out a pricing sheet for your answering service.

3. Write a letter to your clients informing them of a price increase. Be sure to explain why you are raising prices.

Discussion Questions

1. One of your clients wants to sign a year-long contract so that he can be sure the prices won't go up. Many answering services are now beginning to do this. Discuss the advantages and disadvantages to you.

2. You charge a flat rate fee of $35/month for services. Your operators are spending a lot of time on the calls of five clients. More people are being put on hold. Do you think it would be fair to charge just these five people extra? Discuss.

3. List as many reasons you can think of that an answering service might have to raise prices.

Group Activity

Have class members call two or three different answering services to get a complete price list. Fill out a chart like Linda's with the information you have gathered. Discuss advantages and disadvantages of each pricing system for different types of clients.

UNIT 7

Advertising and Selling

Goal: To help you learn ways to advertise and sell your answering service.

Objective 1: Choose the best way to advertise your answering service depending on the amount of money you have.

Objective 2: Design a printed ad for your answering service for the Yellow Pages of a telephone book.

TELEQWIK ADVERTISES

For Linda, one of the most important parts training her new operators has to do with advertising and promotion.

"When most people want an answering service, they will look in the Yellow Pages. And most people will call a few places to check them out before choosing one. I have a huge ad in the Yellow Pages. Huge! I put in it everything that would make my service appealing--personalized service, accurate handling of messages, friendliness. But I tell my employees that we are really Teleqwik's main way of getting business. And it's true. Once a person calls to check out your service, your operators have to be all that your ad says they are. They have to be friendly, sound intelligent, and sell your service.

"I go through a lot of role playing with my operators. I pretend to be a customer. They have to be able to tell me the correct rates, the kind of service we provide, the hours we are available, and generally be as helpful as possible. Many of my clients have come to us just because they were calling one of our clients and liked the way we answered the telephone.

"I also decided to give my customers a special low three-month introductory rate. Sometimes, if a person is not sure about which answering service to use, that is a selling point.

"This is a very competitive business. Most people will call more than one service before they decide. Obviously, you have to answer the phone well, but cost is a big factor to most people too."

Advertising and Selling

Every service business needs clients. Owners of answering services in general do not spend a lot on advertising. They rely on:

- a listing in the Yellow Pages;
- goodwill;
- direct mailing; and
- one-time only ideas.

The Yellow Pages. An ad in the Yellow Pages is very important. Seventy percent of your clients will get your name that way. Most answering services delay opening their businesses until the new edition of the Yellow Pages has their name in it. The Yellow Pages sales department will help you design an ad. But you need an idea of what you want. Let's look at the parts of an ad.

ADAIR PERSONALIZED ANSWERING SERVICE

999 Adair Way, Phoenix
378-5192

"Talk to Someone Who Cares"

Efficient and Dependable

Daytime or 24-Hour Service

"We're in Business To Answer For Your Business!"

headline - the biggest letters should be eye-catching
illustration - a drawing
copy - words you use
layout - how you arrange your ad
identification - name, phone number, address

What's the most important information? For an answering service, your phone number is very important, more important than your address. You must also tell people:

- who you are;
- where you are located;
- what services you provide;
- what hours you are available; and
- why someone would want to choose your answering service.

The ad must be eye-catching and honest. Many companies know that being near the beginning of the list is also a plus. Think of a name that begins with "A" or "B."

How much an ad in the Yellow Pages costs depends on how big the city is. Depending on the size of your area, you may want to list your service in more than one telephone book.

Goodwill is another aspect of promotion and advertising that is very important. It means generating good feelings about your business. Everyone does it differently.

Linda went around to everyone in her building (30 different offices) and offered them three months of free service. Five people took her up on it, and it was a chance to meet everyone.

Louise Simms went to the nearby high schools and colleges and offered to speak to the business classes about opening up a small business.

Sam Chersky announced at his men's group that he was opening an answering service and that members would get a special rate.

Ellen Mann had a Christmas party after her first year in business. "It was highly unusual. After all, nobody had ever seen anybody. But do you know, everyone came; we all had a great time. I actually think we gave better service after that."

Sometimes it doesn't seem as if these activities bring direct results, but they do. The more contacts you make, the more people will remember you when they do need an answering service.

Direct mailing. This consists of sending a single page flier or a postcard (which is cheaper) to a business you think may need an answering service. The flier or postcard should be similar to your ad in the Yellow Pages. You can get names and addresses of businesses just by looking in the Yellow Pages. Or you can buy lists from the Chamber of Commerce or trade associations. Getting your name out is important, and this is one way to do it. Here is one flier sent out by a small answering service.

TWO SISTERS ANSWERING SERVICE!

Are you looking for a good answering service? Are you tired of people hanging up on your answering machine?

We have ten years of experience and can offer you the following services:

- We are a very small, personalized answering service. Our operators have been with us for a year or more. We care! We will get to know you and your clients on a more personal basis, as a secretary would. Actually, most callers think we are secretaries!

- We take orders, special messages, and have even been known to keep track of clients' children and dogs. We want to do the special little things that a larger service cannot do.

For all of this we have no extra charges, just one basic charge, so you can always expect the same bill every month.

Our rates for Los Altos are $34.00 a month, and for Mountain View $32.00 a month.

We would be happy to refer you to our present clients for their opinions of our friendly and efficient service.

Please give us a call; or better yet, come in and meet us personally! We are located at 903 North San Antonio Road in Los Altos.

941-6600
Maggie and Barbara

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"One-time-only" advertising is usually done when you first open. It is anything that is done to let a lot of people know you are open and ready for business.

- An answering service in Ohio had balloons made into the shape of a telephone with the service's new name and number on it and gave them away.
- An owner of a 24-hour service in West Virginia had his car painted to look like a telephone. (That may not be what you want to do with your car, but it did get people's attention.)
- One service in California invited the mayor to answer the first call and invited a reporter from the local paper.

And All for the Low Price of ...

How much does advertising cost? Here is a sample price list of the advertising strategies you have just read about.

MEDIUM	COST		
Yellow Pages	1/4 page	1/4 column	Bold Face
Population 14,000	$40/mo.	$10/mo.	$3/mo.
Population 110,000	$115/mo.	$29/mo.	$4/mo.
Population 700,000	$193/mo.	$49/mo.	$5/mo.
Direct Mail	.20¢/item--includes printing, postage, handling (your time counts)		
Goodwill 3 months' free service	$100/per person		
Ellen Mann's Christmas Party	$125		
Speaking at colleges	4 hours/time		
One-Time-Only Ideas			
1,000 balloons	$50		
Paint job on car	$550		
Mayor to speak	3 hours to arrange it		

Summary

You can have the best answering service in the world. But if people don't know it, your business may fail. Advertising and selling are the ways you let people know what you do. Now you know how answering services can advertise and sell their services.

Learning Activities

Individual Activities

1. What is the best way to advertise an answering service?

2. What are the five parts of an ad?

3. Design an ad for the Yellow Pages.
   - Use 8 1/2" x 11" paper. (Most people use paper bigger than the actual ad will be. A special camera reduces the size later.)
   - Be sure to include all the information on page 65.
   - Include all parts of an ad. Even if your artwork is not perfect, draw a sketch to show your ideas.

4. Call the Yellow Pages sales department in your area. Ask for a price list on different-sized ads.

5. Name three ways to inform people of your service.

Discussion Questions

1. Read the sections on "goodwill" and "one-time-only ideas." Brainstorm with your class ideas to advertise your answering service that could come under both of these headings. Remember:
   - "Goodwill" is anything that makes people feel good about your business.
   - "One-time-only ideas" can be a little crazy. They are supposed to be unusual.

2. Refer to the advertising price list on page 68 and plan an advertising strategy for the following people.

   a. Shelitha Johnson is just starting her answering service in San Francisco, population 700,000. She is going to spend $3,000 to advertise for the entire first year. Plan an advertising strategy for her. Name four different things she can do. At least one should be goodwill. Remember to multiply by 12 (months in the year) the monthly amount for a Yellow Pages ad.

   b. Ramon Garza has been in business for four years in Waco, Texas (population 161,000). There are several new office buildings going up, and he wants to reach them before his competitors do. Plan an advertising strategy for him. He is going all out and spending $5,000. Name three things he can do.

Group Activity

Businesses use different themes in their ads to get customers to buy their services. They use these themes to appeal to different human needs and desires. They may take the "no frills, no extras" approach to appeal to the customer's need for basic services at a low price or the "in by 9, out by 5" approach to appeal to their desire for convenience. Or they may try to fulfill the customer's desire for social status by presenting a high-priced, "exclusive" image. They may also use themes that are not at all related to their business--such as "sex appeal" or the desire to travel to exotic places--to attract customers.

Look at a few ads for answering services (or for other related business services such as typing services) and see what different approaches are used. How do you feel about them? Which of these themes would you use for your business? Which would you not use? Why?

UNIT 8

Keeping Financial Records

Goal: To help you keep track of money coming into an answering service.

Objective 1: Compute how much a client owes you and write out the bill.

Objective 2: Write out a monthly account for one client.

LINDA KEEPS TRACK OF FINANCES

Linda says that bookkeeping is the least favorite part of her job, but she knows it's important.

"I can't say I love bookkeeping, but, of course, I do it anyway. And I've gotten good at it! You've got to get your clients' bills out on time, or you don't make any money. That's what I call reality. I pay attention to reality--know what I mean? Luckily, most of my clients know what it's like to have outstanding bills piling up, so they pay on time.

"I try to do most of my billing between calls on Tuesdays, Wednesdays, and Thursdays in the morning. That's my best time. I'm not so busy then. We tend to get more calls on Mondays and Fridays. People try to make doctor's appointments then. I teach my employees how to do the billing so that it doesn't all fall on my shoulders. I check all the work, however, before it goes out.

"A friend of mine in Florida has a service with 150 clients. He's hoping to expand to 200 in the next two years and to go to computer billing. In the long run that's cheaper. But you need a certain number of clients to make it worth while. I don't know if I'll ever get that big--or if I want to.

"All owners have to decide how long they will trust a non-paying account. Since business is good, I'm pretty nice about it. I'll let someone go for two or three months. After that I just put a white plug in their line. I've only had to do that about three times."

Keeping Financial Records

Keeping financial records is a must for any answering service. It must begin way before you take your first call. In this unit you will learn how to bill your clients so that you can get paid for the work you do, and how to keep track of customer accounts.

How to Bill

Customer billing forms are records of the services used by a client in a month. They show the amount owed for the specific time period. Every time the client pays, it is recorded along with the new balance of what is owed.

How your bill looks depends on your method of pricing. If you charge a "flat rate," your bill will be the simplest. There will be no calls to add up. This is what Linda's bill looked like for one of her clients.

CUSTOMER BILLING FORM

Dr. William Giordano
1427 Third Avenue
Tucson
326-0762

Date	Description	Amount Charged	Payment Received	Balance Due
Mar 20	Service/Mar	$ 43.00	$	$ 43.00
Mar 26	Check #4238		43.00	-0-
April 20	Service/Apr	43.00		43.00
April 24	Check #4280		43.00	-0-

If you charge by the number of calls, your billing, as well as your whole bookkeeping system, will take more time. Many answering services are changing to this kind of system because it charges clients by the amount of work you do for them. It allows answering services to bill for more money if a client has a lot of calls.

Here is an example of a bill from another service. It has a basic monthly rate plus a call rate. The client was also charged for addressing mailing labels and for sending his messages to him through the mail.

Hal's Plumbing Service
4106 Norton Way
Los Angeles, California
963-5539

Date	Description	Amount Charged	Payment Received	Balance
April 2	Basic Monthly Rate*	$ 27.00		
	42 calls @ 20¢ each	8.40		
	300 mailing labels @ 5¢ each	15.00		
	mailed March messages	1.50	-0-	$ 51.90

*Includes first 50 calls

It is important to itemize a bill each month. That means that if you charge a client for more than one type of service or for the number of calls taken, you write all that information on the actual bill. Most people want to know exactly what they are paying for so they can watch for errors.

How to Keep Records in the Office

You should send your customers a copy of the billing form every month and keep a record in your office as well. Your office record (which will look similar to the billing form) is called the customer account form.

In some cases, your account form may be more detailed than the bills you send your customers. If you charge by the call, for example, you should keep track of calls on a daily or weekly basis for your records and summarize these on the customer bill.

This is what your customer account form might look like if you charge by the call. In this example, the first 50 calls are free but must be counted.

Name: Hal's Plumbing Service
Address: 4106 Norton Way, Los Angeles, CA
Account No.: 103

Date	Description	Charges	Credit	Balance
February 28	check #1042		$ 46.80	-0-
March 7	36 calls	-0-		
March 14	40 units (26 @ 20¢)	5.20		$ 5.20
March 21	10 calls	2.00		7.20
March 22	300 mailing labels @ 5¢	15.00		22.20
March 28	6 calls @ 20¢	1.20		23.40
March 31	monthly charge	27.00		50.40
March 31	mailed messages	1.50		51.90
April 4	check #1082		50.00	1.90

Summary

Financial records help you keep track of your business income and expenses. Now you know about two of the financial record forms you use to do this. They are the customer billing form and the customer account form.

Learning Activities

Individual Activities

1. Linda had other clients that she needed to bill for the month of April.

   a. Complete a bill for Mindy Kaminsky, an interior decorator. (The flat daytime rate is $33.00.)

      She forgot to pay her bill in March, and now you also have to bill her for April. Her bill is due on the 15th of every month.

CUSTOMER BILLING FORM

Customer: _____

Payment Due Date: _____

Date	Description of Sale	Amount Charged	Payment Received	Balance Due

2. Bellview Answering Service charges customers a base rate of $30 plus 15¢ a call after 30 calls.

   Write out a bill for Jody's Recording Studio. He has a balance of -0- for March. In April he received 45 calls. The bill is due May 1.

CUSTOMER BILLING FORM

Customer: _____

Payment Due Date: _____

Date	Description of Sale	Amount Charged	Payment Received	Balance Due

Discussion Questions

1. In this unit, we have covered financial records of money coming into the business. What other types of financial records would the owner of an answering service have to keep? (Think of the other types of money dealings this business would have.)

2. Why is it important to keep careful financial records? What kinds of problems could develop if they are not well kept?

Group Activity

As the owner of a successful answering service, you have just found out that you are going to be audited by the Internal Revenue Service. What are some things that you can do to prepare yourself for your initial visit with the IRS agent?

UNIT 9

Keeping Your Business Successful

Goal: To help you learn how to keep your business "in the black."

Objective 1: Figure out the net profit, profit ratio, and expense ratio after being given a specific business situation.

Objective 2: Tell at least one way to increase profits in a business that is losing money.

Objective 3: Tell a way to increase the number of clients you have by changing or improving your service.

LINDA CHECKS HER COMPANY'S HEALTH

Three years after starting her answering service, Linda had 132 clients but was barely meeting her expenses. She knew of other services that had fewer clients and were doing better.

"I had to take a close look at my whole operation. I was getting clients, offering a good service, and paying a modest rent; yet I was just barely covering my expenses.

"I made out extensive profit/loss sheets--one for when I began, one for the present, one for the future. I really had never thought to do that before. I assumed that since my prices were competitive and I had a fair number of clients, I was doing okay.

"I know this sounds ridiculous, but a lot of businesses are successful without making a profit. Mine was one of those.

"Every single one of my expenses had been slowly going up. Oh, I did raise my prices, but just once--and I was too scared to ask for a lot.

"I was also slightly over-staffed. I mostly needed someone from 11-2. But I thought no one would want to work just those hours. So I hired someone 12-4. That's 20 extra hours a month--which comes to $100 plus all the social security I had to pay.

"Getting a total of eight new clients in a whole year really isn't very much. I decided to concentrate a lot more on the selling end--to go out and find more business.

"I'm much happier now. I look at my profit/loss statement every month. I feel as if I'm in control."

Keeping Your Business Successful

In this unit you will learn how to judge whether your business is successful. You will learn how to compare business statements from two different years. And you will learn how to increase your profits.

The Profit/Loss Statement

Linda talks a lot about her profit/loss (P/L) statement. This is a record of what is earned in sales (revenues) and paid out (expenses) in a year. The P/L statement also records the profit that is left after expenses are paid (Net profit = Revenues - Expenses). Let's look at Linda's statement for Years 2 and 3 of her business.

TWO-YEAR PROFIT/LOSS STATEMENT

	Year 2		Year 3	
	$	%	$	%
Revenues				
Credit Sales	45,000	100%	50,000	100%
Expenses				
Salaries	8,000		9,500	
Building and Utilities	4,100		5,710	
Telephone Equipment	4,200		5,190	
Supplies	250		240	
Advertising	3,000		3,700	
Legal Fees	200		300	
Insurance	250		360	
TOTAL	20,000	44%	25,000	50%
Net Profit	25,000	56%	25,000	50%

Two percentages are shown on the profit/loss statement: the profit ratio and the expense ratio. These ratios are computed as follows for Year 2.

$$\text{Profit ratio} = \frac{\text{Net profit}}{\text{Revenues}} = \frac{\$\ 25,000}{\$\ 45,000} = 56\%$$

$$\text{Expense ratio} = \frac{\text{Expenses}}{\text{Revenues}} = \frac{\$\ 20,000}{\$\ 45,000} = 44\%$$

Let's look at Linda's profit/loss statement to see what happened to her business in the third year. Linda brought in more money in Year 3 than in Year 2. She had more clients, and she raised her prices. However, Linda made the same amount of profit in the two years. This was because her expense ratio increased and her profit ratio decreased.

If you compare Linda's expenses in Year 1 and Year 3, you will see that she paid out more money for:

Salaries	Advertising
Rent and Utilities	Legal Fees
Equipment	Insurance Fees

In fact, every one of her expenses increased except supplies! If the economy is suffering from general inflation, this is often the case.

How to Raise Your Profits

There are four ways to raise your profits and keep your profit ratio in line:

- increase your number of clients (sales);
- raise your prices;
- lower your expenses; or
- expand your services.

Each one of these takes a lot of thinking, and means taking some risks.

Increasing your number of clients means doing more selling. It probably means investing more money in advertising. You may have to spend

more time away from the switchboard finding those clients. You may join civic groups, do door-to-door selling, or make more "blind calls."

You will have to look at how each of your clients found out about your service in the first place and put more energy into those areas in which you were most successful.

Raising your prices always seems like the quickest and easiest method of raising your profit ratio. It is not that simple.

If you charge a flat rate and raise it, your clients with a small number of messages will be angry. These clients are considered your "bread-and-butter." They don't take up a lot of operator time and don't want to pay the same as your big message users.

If you go from a flat rate to a message unit rate, your big users will have a big increase in their bills. This may be "fairer," but some may look for another answering service.

Reducing your expenses is the third way to increase your profit ratio. To do this you have to look at each and every expense--particularly the big expenses.

Salary and rent are big expenses. These are the questions to ask yourself.

1. Can you let some employees go or cut down on their hours without hurting the kind of service you are giving?
2. Can some of your employees learn the bookkeeping end of the business to cut down on your accounting fees?
3. Are there smaller places that can accommodate your switchboards? Finding a place for less rent is hard, but it can be done.

The smaller expenses are harder to decrease, but they should be gone over for possibilities.

1. Is each type of advertising bringing in new clients?

2. Can you do some of the legal work yourself?
3. Are you wasting electricity or water?

Expanding your services. Many answering services find that the best way to increase their number of clients is to expand their services.

- A daytime service can expand to include evenings or weekends or to become a 24-hour service.
- You can zero in on certain types of clients: doctors, lawyers, and ambulance or tow truck services.
- Since you already have many customers on your boards who may need these services and who already know you, you can expand your answering service to include typing services and direct mailing services.
- You can open a branch office in a city close by. People will already know your name and reputation.

A Note On the Future--Computers

Almost all answering services use the standard 100-client switchboard (they may have several in a row). But computers are on the way. Several electronics firms are making computerized answering service equipment. Here are some facts about it.

Advantages:

1. You, rather than the telephone company, own it. The telephone company can change its rates, and there isn't much you can do about it. Once you pay for this equipment, you no longer have that expense.
2. Fewer operators are needed to handle your clients. Two operators can handle 300 clients.
3. There are different types of computer switchboards. Some have video (T.V.) screens from which you can read the messages.
4. Some of the work that the operators do on regular switchboards, such as deciding who has been on "hold" the longest, is done by the computer.

Disadvantages:

1. Cost. A computerized switchboard that could handle 300 clients costs around $37,000. Unless you are sure of your ability to attract clients, this could be too much for you. You can start an answering service with less than $10,000 with a conventional switchboard. Your initial costs with a computerized one would be almost four times as much.
2. Computerized switchboards are more difficult to service. Many times the company selling them is in another part of the country. The telephone company can't fix them at all.
3. There is the chance, although slight, that the program that runs the computer could be erased. This means that all your clients and their messages would be lost. You can imagine what a mess that would be!

Summary

Keeping a small business successful isn't easy. The owners have to know how the market for their services is changing. They have to know how their business is doing. And they have to plan the best way to change their services to keep their business going.

Learning Activities

Individual Activities

1. Here is a profit/loss statement for Wilshire Answering Service. Compute the net profit (in dollars), profit ratio (in percent), and expense ratio (in percent). The sum of the profit ratio and the expense ratio should be equal to 100%.

TWO-YEAR PROFIT/LOSS STATEMENT

	Year 1		Year 2	
	$	%	$	%
Revenues				
Credit Sales	50,000	100%	60,000	100%
Expenses				
Salaries	10,000		12,000	
Building and Utilities	5,000		6,000	
Telephone Equipment	5,500		7,500	
Supplies	500		600	
Advertising	3,500		3,400	
Legal Fees	250		250	
Insurance	250		250	
TOTAL	25,000	____	30,000	____
Net Profit	_____	____	_____	____

2. Name two ways to increase your profits.

Discussion Questions

1. Many answering service owners do not want to increase their sales. They like "staying small." Can you give some reasons for this?

2. Although only 1% of all answering services have made the change to computers, that does seem to be the trend. Do you think this will encourage or discourage people from becoming owners of an answering service?

3. One way to decrease expenses is to put your answering service in your home. What are some disadvantages to this?

Group Activity

Using all the information you have gotten about your area during these units, plan an answering service. The class can work in six teams. The teams should work on the following topics.

Planning the Business (Unit 1)
Choosing a Location (Unit 2)
Getting Money to Start (Unit 3)
Being in Charge (Unit 4)
Setting Prices (Unit 6)
Advertising and Selling (Unit 7)

The class will also have to work together as a whole, since each team needs to know something about what the others are doing.

SUMMARY

This module has been about owning an answering service. People with training in operating a PBX switchboard can start answering services.

To start a small business, you need to do lots of planning. First you have to be sure that owning a small business is right for you. Then you have to decide what services to offer, how to compete, and what legal requirements to meet.

To pick a good location, you have to find out if customers would use your business. Then you have to get money to start. That means showing a banker that your idea is a good one.

Being in charge means hiring good workers and training them. Then you must keep track of your workers' job performance.

Setting prices means figuring out the lowest price you can charge and still make a profit and the highest price you can charge and still attract customers. To do this, you need information on your expenses and on your competition's prices.

Advertising and selling are the ways you get customers. The good things your business does in town are called promotion. These are all important ways to help your business succeed.

You should keep good financial records so you will know how the business is doing. Then you can decide if you can expand your business or if you need to cut it back.

In order to own and operate a successful answering service, you need training in operating a PBX switchboard, work experience, and the special business management skills we have covered in this module. If you have not had a course in PBX switchboard operations, you should take one before deciding to own an answering service. You can learn business management skills through business classes, experience, or by using the advice and example of an expert.

You may not make a lot of money by owning an answering service. However, you will have the personal satisfaction of being responsible for your business and making your own decisions. Think about how important these things are to you in considering whether you should start your own answering service.

QUIZ

1. Which statement is most true?

   _____a. Getting dressed up is an important part of owning an answering service.

   _____b. A person in a wheelchair could own an answering service.

   _____c. An answering service owner makes house calls.

2. Which of these businesses would probably use an answering service?

   _____a. A rug-cleaning business

   _____b. A large bank

   _____c. A restaurant

3. Which statement is most true?

   _____a. If you open an answering service in a rented office, you will need to get one or two business permits.

   _____b. In most cities, if you run a business out of your home, you don't need a business license.

   _____c. The telephone company gives you a license to run an answering service.

4. Which statement is most true?

   _____a. Each answering service offers pretty much the same services.

   _____b. Some answering services do secretarial work as well.

   _____c. Most answering services handle 24-hour medical emergencies.

5. Which statement is most true?

_____a. An answering service usually needs a population of at least one million to be a success.

_____b. The competition in an area is not very important, because in this business "there's always room for one more."

_____c. Where you want to live will probably play a part in where you choose to locate.

6. Which of the following do you need to include in your business description to get money from the bank?

_____a. Why you like the answering service business

_____b. Whether you are married

_____c. How many people you need to hire

7. Which of the following would need to be in your statement of financial need?

_____a. How much money you made on your last job

_____b. How much money you'll need for equipment

_____c. How much income you plan to take in during your first year

8. Which information would need to be put in a job description?

_____a. Salary, benefits, hours

_____b. Personality type, age, and sex wanted

_____c. Address, type of answering service, directions to the office

9. If this were the only information you had, which person would probably make the best operator?

_____a. A high school honor roll student

_____b. A salesperson who desperately needs the job

_____c. A retired person whose wife is ill and who needs to get out of the house

10. Which statement is most true?

_____a. Old messages should be thrown away since they can cause confusion.

_____b. Most operators use a shorthand system so they can take messages quickly.

_____c. A really good operator can remember most messages in his or her head.

11. An answering service owner would probably charge a flat rate because:

_____a. it makes the bookkeeping easier.

_____b. he or she can make more money that way.

_____c. most answering services charge a flat rate.

12. When starting out, it is probably a bad idea to fix prices based on:

_____a. what your expenses are.

_____b. what other answering services are charging.

_____c. how many clients you'll have the first month.

13. Which of the following is the most important form of advertising for an answering service?

_____a. The Yellow Pages

_____b. Door-to-door selling

_____c. Direct mail

14. Which ad will probably attract more people to your service?

_____a. An ad with a lot of words

_____b. An ad with your address on it

_____c. An ad that tells how you are special

15. Which form of advertising does not bring direct results but is important anyway?

_____a. Radio and television

_____b. Goodwill advertising

_____c. Fliers put on cars

16. When billing clients, it is a good idea to:

_____a. give the monthly total only.

_____b. give them their bill by telephone.

_____c. write down the payments you have already received.

17. Which statement is most true?

_____a. A lower profit ratio usually means you had fewer clients this year than last.

_____b. A lower profit ratio means you should probably sell the business.

_____c. A lower profit ratio may mean you spent more money this year.

18. Which statement is most true?

_____a. Reducing your expenses is one way to increase your profits.

_____b. Raising your prices is one way to increase your volume of sales.

_____c. Lowering your number of clients will increase your profits.

19. Which statement is most true?

_____a. The only way to open an answering service these days is with computerized equipment.

_____b. Computerized equipment has very few problems.

_____c. Computerized equipment may replace standard equipment in the future.

GPO 791-760/272

PROJECT PRODUCTS

Entrepreneurship Training Components

Vocational Discipline	Module Number and Title
General	Module 1 - Getting Down to Business: What's It All About?
Agriculture	Module 2 - Farm Equipment Repair
	Module 3 - Tree Service
	Module 4 - Garden Center
	Module 5 - Fertilizer and Pesticide Service
	Module 6 - Dairy Farming
Marketing and Distribution	Module 7 - Apparel Store
	Module 8 - Specialty Food Store
	Module 9 - Travel Agency
	Module 10 - Bicycle Store
	Module 11 - Flower and Plant Store
	Module 12 - Business and Personal Service
	Module 13 - Innkeeping
Health	Module 14 - Nursing Service
	Module 15 - Wheelchair Transportation Service
	Module 16 - Health Spa
Business and Office	Module 17 - Answering Service
	Module 18 - Secretarial Service
	Module 19 - Bookkeeping Service
	Module 20 - Software Design Company
	Module 21 - Word Processing Service
Occupational Home Economics	Module 22 - Restaurant Business
	Module 23 - Day Care Center
	Module 24 - Housecleaning Service
	Module 25 - Sewing Service
	Module 26 - Home Attendant Service
Technical	Module 27 - Guard Service
	Module 28 - Pest Control Service
	Module 29 - Energy Specialist Service
Trades and Industry	Module 30 - Hair Styling Shop
	Module 31 - Auto Repair Shop
	Module 32 - Welding Business
	Module 33 - Construction Electrician Business
	Module 34 - Carpentry Business
	Module 35 - Plumbing Business
	Module 36 - Air Conditioning and Heating Service

Related Resources

Resource Guide of Existing Entrepreneurship Materials

Handbook on Utilization of the Entrepreneurship Training Components